

Message Text

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ACTION EB-11

INFO OCT-01 NEA-14 ISO-00 SS-20 SSO-00 NSC-07 NSCE-00

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC IMMEDIATE 7776

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C O N F I D E N T I A L CAIRO 5201

E.O. 11652: GDS

TAGS: OVIP(SIMON, WILLIAM P.) EG

SUBJ: SECRETARY SIMON'S MEETING WITH MINISTER
OF PETROLEUM

REF: CAIRO 5200

1. ON JULY 14, FOLLOWING HIS MEETING WITH THE MINISTER OF
FINANCE, REFTTEL, SECRETARY SIMON AND MEMBERS OF HIS PARTY
MET WITH AHMED HILAL, THE MINISTER OF PETROLEUM
AND OFFICIALS OF MINISTRY. UNLIKE THE SESSION
WITH THE MINISTRY OF FINANCE, THE EGYPTIANS DID THE

GREATER PART OF THE PRESENTATION, TAKING QUESTIONS
FROM THE AMERICAN SIDE AS THEY CAME.

2. HILAL DESCRIBED THE HISTORY OF PETROLEUM IN
EGYPT IN BOTH COLONIAL TIMES AND THE RECENT PAST.
HE EMPHASIZED THAT RELATIVELY LITTLE
HAS BEEN DONE
IN THE FIELD OF EXPLORATION SINCE THE REVOLUTION, BUT
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SOME PROGRESS IN REFINING AND TRANSPORTATION HAD BEEN
MADE. WITH THE CREATION OF THE MINISTRY JUST

18 MONTHS AGO, AND THE NEW CLIMATE FOR FOREIGN PARTICIPATION IN PROSPECTING FOR AND PRODUCING PETROLEUM, THERE HAD BEEN A MARKED CHANGE IN THE SITUATION.

3. AS OF NOW, HE SAID, EGYPT PRODUCES ONLY ABOUT 200,000 BARRELS PER DAY (B/D) NOT INCLUDING THE PRODUCTION OF THE FIELDS IN THE SIANI. THE GOAL IS TO PRODUCE ONE MILLION B/D BY 1980 OR 1981. TO THIS END, FOREIGN COMPANIES HAVE BEEN INVITED TO TAKE PART IN JOINT VENTURES WITH THE EGYPTIAN GENERAL PETROLEUM COMPANY (MOSTLY PRODUCTION SHARING ALTHOUGH THERE ARE SOME PARTICIPATION ARRANGEMENTS) AND 12 HAVE SO FAR BEEN ESTABLISHED. HILAL EXPECTS A TOTAL OF 21 BY THE END OF THE YEAR, WHICH WILL BRING \$500 MILLION TO EGYPT OVER THE NEXT TEN YEARS.

THE GULF OF SUEZ IS THE MOST PROMISING AREA, HE ADDED, WITH THE DELTA NEXT, BOTH ON AND OFF SHORE, AND THEN THE WESTERN DESERT.

4. IN RESPONSE TO QUESTIONS, HILAL SAID THAT THE ONSHORE OIL FROM THE GULF OF SUEZ AREA IS VERY HEAVY AND HIGH IN SULFUR, MAKING IT USELESS FOR EGYPT'S NEEDS. IT IS EXPORTED TO JAPAN, AND ABOUT 50 CENTS A BARREL. FOR THIS REASON, ALTHOUGH PRODUCTION IS ABOUT EQUAL TO CONSUMPTION, EGYPT IS IN A DEFICIT POSITION ON PETROLEUM DUE TO THE NEED TO IMPORT MORE EXPENSIVE CRUDE AND PRODUCTS. IN THIS CONNECTION, HE ADDED, LUBE OIL IS IN VERY SHORT SUPPLY AND THERE IS A DEFINITE NEED FOR A PLANT IN EGYPT. MEANWHILE HE ASKED FOR SECRETARY SIMON'S ASSISTANCE IN ARRANGING THE PURCHASE OF A LIST OF SPECIFIED LUBRICATING OILS. THE LIST WILL BE SENT BY SEPTEMBER.

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5. HILAL PROJECTED THE COUNTRY'S NEEDS AT 320,000 B/D BY 1981. HE ANTICIPATES THAT THERE WILL BE AMPLE DOMESTIC REFINERY CAPACITY PLUS AN EXPORT POTENTIAL BY THAT TIME, SINCE THE REACTIVATION OF THE REFINERY AT SUEZ WILL ADD 120,000 B/D TO THE EXISTING APPROXIMATELY 190,000 B/D CAPACITY IN CAIRO, ALEXANDRIA AND TANTA.

6. TREASURY UNDERSECRETARY BENNET HAS SEEN AND APPROVED ABOVE MESSAGE.

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